

Message Text

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ACTION PM-05

INFO OCT-01 ARA-10 ISO-00 NSC-05 SP-02 SS-15 CIAE-00
INR-07 NSAE-00 DODE-00 L-03 H-01 EB-08 DHA-02
MC-02 ACDA-07 AID-05 IGA-02 OMB-01 TRSE-00 /076 W
-----123948 290520Z /17

R 282200Z JUL 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 5227
INFO AMEMBASSY LIMA
AMEMBASSY BOGOTA
AMEMBASSY LA PAZ

C O N F I D E N T I A L QUITO 5070

FOR ARA/AND

E.O. 11652: GDS
TAGS: MASS EC
SUBJ: FY 79 SECURITY ASSISTANCE

REF: (A) STATE 171096; (B) QUITO 4736; (C) 76 QUITO 7914
(NOTAL)

1. SUMMARY: OUR ABILITY TO PROVIDE OBJECTIVE, REALISTIC
ALTERNATIVE FUNDING LEVELS IS LIMITED BY A NUMBER OF FACTORS,
INCLUDING: THE TOKEN NATURE OF CURRENT AND ANTICIPATED CREDIT
LEVELS; DIFFICULTY OF PREDICTING THIRD COUNTRY PURCHASES FOR
FY 77-78; LIMITATIONS ON THE USE OF CREDIT UNDER CURRENT
POLICY; AND THE FACT THAT ONE MAJOR CRITERION MUST BE PARITY
WITH NEIGHBORS. UNDER ONE SET OF PARAMETERS PROPOSED CREDIT
LEVELS (FROM MINIMUM TO CURRENT) WOULD : \$10 MILLION, \$12
MILL, \$15 MILLION. ALTERNATE SET OF PARAMETERS COULD PRODUCE
A MINIMUM LEVEL AS LOW AS \$5 MILLION. INCREMENTAL LEVEL IS
IMPOSSIBLE TO DETERMINE WITH ANY DEGREE OF ACCURACY, BUT
EMBASSY REQUESTS SOME INCREMENT TO CURRENT PROGRAM BE
CONSIDERED ON POLITICAL GROUNDS. FOR IMET, CURRENT LEVEL
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IS ALREADY AT MINIMUM. WITH MAJOR PORTION OF IMET
FUNDING FENCED FOR CZ SCHOOLS, ANY FIGURE LOWER THAN
CURRENT ONE WOULD SIMPLY NOT ALLOW FOR PROGRAMS OF MAJOR
INTEREST. END SUMMARY.

2. EMBASSY RECOGNIZES UTILITY OF INFORMATION REQUESTED
IN REF A FOR ZERO-BASED BUDGETING EXERCISE. AT THE SAME
TIME, ANY SUCH SET OF FIGURES MUST BE HEDGED WITH NUMEROUS
CAVEATS. ONE BASIC POINT IS THAT NO MATTER WHAT LEVEL WE
ARE LIKELY TO RECOMMEND--OR HAVE APPROVED--THE PROGRAM
REMAINS BASICALLY A TOKEN EFFORT, PARTICULARLY IN LIGHT OF

TOTAL PROJECTED GOE PURCHASES FOR FY 79 (SEE REF B). FMS CREDIT IS IMPORTANT BECAUSE IT IDENTIFIES WITH US WITH ECUADOR, NOT BECAUSE IT PERMITS THE ACQUISITION OF MAJOR END ITEMS.

3. IN PRACTICAL TERMS, THE PROBLEM OF SETTING A MINIMUM ACCEPTABLE LEVEL IS THE MOST DIFFICULT. ONE AS YET UNKNOWN FACTOR THAT COULD BE CRITICAL IN THIS ESTIMATE IS THE LEVEL AND SOURCING OF GOE PURCHASES IN FY 77-78. AS WE NOTED IN PARA. 10(A) OF REF B, THE GOE'S FIRST PRIORITY FOR FY 79 CREDITS WILL BE FOLLOW-ON SUPPORT FOR PREVIOUSLY ACQUIRED ITEMS. IF MOST OF THE MATERIAL ACQUIRED PRIOR TO FY 79 IS FROM THIRD COUNTRIES, THE NEED FOR FOLLOW-ON SUPPORT FROM THE US WILL DIMINISH. THIS, IN TURN, MIGHT AFFECT THE MINIMUM LEVEL OF CREDIT THE GOE WOULD ACCEPT. ANOTHER PROBLEM IS CAUSED BY THE CURRENT FMS POLICY OF GENERALLY LIMITING CREDITS FOR PURCHASE OF MAJOR END ITEMS. EVEN THE MAXIMUM LEVEL OF CREDIT WE MIGHT OFFER WOULD NOT GO FAR TOWARD FINANCING THE ITEMS THE GOE PLANS TO ACQUIRE IN FY 79. IN REF C THE EMBASSY NOTED PROBLEMS WITH CURRENT FMS POLICY FOR COUNTRIES LIKE ECUADOR AND RECOMMENDED CHANGES. IF CREDIT COULD ROUTINELY BE USED TO PURCHASE NON-MAJOR END ITEMS, WE BELIEVE A LOWER MINIMUM LEVEL OF CREDIT WOULD BE ACCEPTABLE TO THE GOE. CONFIDENTIAL

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4. ANOTHER DETERMINING FACTOR IN SETTING FMS CREDIT LEVELS FOR ECUADOR MUST BE PARITY WITH OTHER LATIN AMERICAN COUNTRIES. ECUADOR IS PARTICULARLY SENSITIVE TO ITS RELATIONSHIP WITH PERU AND WOULD PERCEIVE ANY DISPARITY IN CREDITS WHICH OPERATED IN FAVOR OF PERU AS BOTH A POLITICAL AND MILITARY SLIGHT. THE SAME SENSITIVITY IS TRUE WITH REGARD TO RELATIVE LEVELS OF CREDIT AS BETWEEN ECUADOR AND OTHER LATIN COUNTRIES. IF LEVELS FOR ENTIRE REGION, AND PARTICULARLY PERU, WERE DROPPED TO A LOWER LEVEL THAN THE MINIMUM INDICATED BELOW, THE GOE MIGHT ACCEPT THE LOWER LEVEL.

5. IN LIGHT OF THE ABOVE, THE MINIMUM LEVEL OF FMS CREDIT FOR FY 79 COULD RANGE FROM \$ 5 MILLION TO \$ 10 MILLION. THE HIGHER FIGURE WOULD BE BARELY ACCEPTABLE MINIMUM IF FMS POLICY CONTINUES TO REQUIRED PURCHASE OF MAJOR END ITEMS IF OTHER LATIN AMERICAN COUNTRY LEVELS WERE THAT HIGH, AND REGARDLESS OF WHETHER FY 77-78 ACQUISITIONS ARE FROM THE US OR THIRD COUNTRIES. \$10 MILLION WOULD PERMIT EACH SERVICE TO MAKE INITIAL FINANCING FOR MAJOR ITEMS WITH FMS CREDITS. THE LOWER FIGURE COULD BE ACCEPTABLE IF FMS POLICY WERE CHANGED TO PERMIT THE USE OF CREDITS FOR ALL TYPES OF TRAINING, AND IF FY 77-78 ACQUISITIONS ARE FROM THE US. UNDER THOSE CIRCUMSTANCES, ALTHOUGH \$ 5 MILLION WOULD NOT BE ADEQUATE FOR EVEN INITIAL FINANCING OF MAJOR END ITEMS, IT COULD PROVIDE VIABLE TRAINING AND FOLLOW-ON SUPPORT AND THUS BE ACCEPTABLE TO THE GOE.

6. INTERMEDIATE LEVEL: \$12 MILLION \$10 MILLION UNDER

CIRCUMSTANCES ABOVE WHICH WOULD JUSTIFY A MINIMUM LEVEL OF \$ 5 MILLION). THIS WOULD PERMIT THE GOE TO FINANCE SOME GREATER DEGREE OF ITS MAJOR END ITEM PURCHASES WITH FMS CREDIT.

7. CURRENT LEVEL IS \$15 MILLION AND WOULD PROVIDE FOR MARGINALLY BETTER COVERAGE THAN THE INTERMEDIATE LEVEL.

8. INCREMENTAL LEVEL: IT IS DIFFICULT TO PROVIDE JUSTIFICATION FOR ANY SPECIFIC INCREMENTAL LEVEL IF WE ASSUME THAT UNDER NO CIRCUMSTANCES WILL WE PROVIDE CONFIDENTIAL

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ENOUGH CREDIT IN FY 79 TO FINANCE ALL OR MOST OF THE PURCHASES LISTED IN PARA. 9 OF REF B. ONE POSSIBILITY, HOWEVER, WOULD BE AN INCREMENTAL LEVEL SUFFICIENT TO, AND EARMARKED FOR, PURCHASE OF A SPECIFIC END ITEM, SUCH AS HELICOPTERS FOR ALL THREE SERVICES. WE DO NOT HAVE THE DATA OR SPECIFIC QUANTITY INFORMATION, WHICH WOULD ALLOW US TO ESTIMATE THE LEVEL OF CREDIT REQUIRED FOR SUCH AN OFFER.

9. AS WITH THE FMS CREDIT PROGRAM IN GENERAL, THE POTENTIAL BENEFIT FROM ANY INCREMENTAL LEVEL WOULD BE POLITICAL. ANY INCREMENT TO CURRENT LEVELS, PARTICULARLY IF NOT MATCHED BY A SIMILAR INCREMENT FOR PERU, WOULD BE PERCEIVED BY ECUADOR AND OTHER COUNTRIES IN THE SUBREGION AS POLITICO-MILITARY IDENTIFICATION WITH ECUADOR. THE EMBASSY CAN CONCEIVE OF AT LEAST ONE INSTANCE IN WHICH SUCH A SIGNAL MIGHT BE ADVANTAGEOUS TO US: IN THE EVENT THAT PERU CONTINUES TO PURCHASE SOPHISTICATED WEAPONS SYSTEMS FROM THE SOVIETS DURING THE NEXT 18 MONTHS. UNDER SUCH CIRCUMSTANCES AN INCREMENTAL FMS CREDIT LEVEL FOR ECUADOR COULD SIGNAL OUR DISPLEASURE WITH PERUVIAN ACQUISITIONS AND OUR DETERMINATION TO ASSIST COUNTRIES FACING AN INCREASED SECURITY THREAT. THUS THE EMBASSY RECOMMENDS THAT AN INCREMENTAL LEVEL OF FMS CREDIT BE CONSIDERED FOR ECUADOR IN FY 79, IF DEVELOPMENTS IN THE INTERIM JUSTIFY IT.

10. WITH REGARD TO IMET FUNDING, THE EMBASSY BELIEVES THAT THE CURRENT LEVEL OF \$400,000 IS THE MINIMUM WITH WHICH WE CAN PROVIDE A WORTHWHILE PROGRAM IN FY 77 \$252,000 OF THAT AMOUNT WAS FENCED FOR CZ TRAINING PROGRAMS. FOR FY 78 THE AMOUNT MAY RISE TO \$350,000. TO HAVE ANY IMET PROGRAM AT ALL WE MUST HAVE AT LEAST THAT MINIMUM, FENCED AMOUNT, BUT DECREASING FUNDING TO SUCH A LEVEL WOULD IN EFFECT DELETE ANY NAVY TRAINING (SINCE THERE CONFIDENTIAL

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IS LITTLE NAVY TRAINING IN THE CZ) AND ALSO ANY PROFESSIONAL TRAINING IN CONUS. WE NEED A MINIMUM OF \$150,000 IMET FUNDS OVER AND ABOVE THE FENCED AMOUNT TO CARRY ON SOME PROFESSIONAL TRAINING AND HAVE A SMALL TRAINING PROGRAM

FOR THE NAVY IN THE US. AN INCREMENTAL LEVEL OF \$800,000
(THE AMOUNT OF OUR ORIGINAL FUNDING REQUESTS THE PAST
SEVERAL YEARS) WOULD ALLOW US TO SUBSTANTIALLY INCREASE
PROFESSIONAL DEVELOPMENT TRAINING IN THE US, THE KIND OF
TRAINING WHICH WE BELIEVE PRODUCES THE GREATEST LONG-RANGE
BENEFIT FOR THE US.
CORR

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

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